



**PUBLIC INTEREST ADVOCACY CENTRE**

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November 13, 2013

**VIA MAIL and E-MAIL**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge St.  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: EB 2012-0459 - Enbridge Gas Distribution Inc.,  
2014-2018 Rates Application  
Interrogatories of Vulnerable Energy Consumers Coalition (VECC)**

As per Procedural Order No. 2 dated October 3, 2013, we have attached the interrogatories of the Vulnerable Energy Consumers Coalition (VECC) with respect to the above-noted proceeding.

As directed we have also directed a copy to the applicant as well as all intervenors via e-mail.

Thank you.

Yours truly,

Michael Janigan  
Counsel for VECC

Cc: EGDI – Norm Ryckman – [egdregulatoryproceedings@enbridge.com](mailto:egdregulatoryproceedings@enbridge.com)  
All Intervenors

**Enbridge 2014-2018 Customized IR Plan  
EB-2012-0459**

**VECC INTERROGATORIES**

**ISSUE A1:** Is Enbridge's proposal for a Customized IR plan for a 5 year term covering its 2014 through 2018 fiscal years appropriate?

**Exhibit:** I.A1.EGD.VECC.1

Evidence Ref: A2/T3/S1 pages 12-16, Rate Adjustment Process 2014-2018

- a) Can EGD confirm that, operationally with respect to annually setting rates for 2014-2018, its IR proposal is the most complex rates application EGD has ever filed? If not, please provide a counter-example.

**ISSUE A2:** Does Enbridge's Customized IR plan include appropriate incentives for sustainable efficiency improvements?

**Exhibit:** I.A2.EGD.VECC.2

Evidence Ref: A2/T11/S3 pages 3-6, SEIM proposal

- a) The proposal by EGD for an SEIM appears similar to a "glide path" or an "efficiency carryover mechanism" proposal with the following difference: in the case of the SEIM, once EGD has forecasted that a project "qualifies," EGD will take for itself 20% of the project's NPV "off the top", regardless of whether or not the forecasted savings materialize and regardless as to whether or not the forecasted savings persist beyond the IR term. Please comment.

**ISSUE A2:** Does Enbridge's Customized IR plan include appropriate incentives for sustainable efficiency improvements?

**Exhibit:** I.A2.EGD.VECC.3

Evidence Ref: A2/T1/S1 page 13, paragraph 30

Preamble: The referenced paragraph states:

*30. The result is that the Company is "at risk" for costs over the projected Allowed Revenue amounts and is incented to manage costs within that level, as there is no sharing for cost overruns. Unlike an annual Cost of Service ("COS") approach, this will create fixed Allow Revenue amounts*

*that are decoupled from actual costs over the IR plan term. The Company will not have recourse to request rate relief over the plan term absent a 300 basis point shortfall against allowed ROE which is unfound in COS regulation.*

- a) Does EGD agree that under its proposal, the vast majority of its costs will be adjusted/revised/trued up during the IR term?

**ISSUE A2: Does Enbridge's Customized IR plan include appropriate incentives for sustainable efficiency improvements?**

**Exhibit: I.A2.EGD.VECC.4**

Evidence Ref: A2/T1/S2 page 6, paragraph 21

Preamble: The referenced paragraph states:

*21. As described, the Company has resolved to maintain its overall FTE level flat through the 2014 to 2016 period. To the extent that additional FTEs are needed to accomplish work, Enbridge will accommodate these costs within other parts of the 2014 to 2016 Capital Budget.*

- a) Please explain how the costs of additional FTEs will be accommodated "within other parts of the 2014 to 2016 Capital Budget. For example, will the capital budget merely be increased to cover an increase in costs that would otherwise not be capitalized?
- b) How will EGD deal with this challenge in 2017 and 2018?

**ISSUE A16: Are the overall levels of allowed revenue, rates and bill impacts for each of the years of the IR plan reasonable given the impact on consumers?**

**Exhibit: I.A16.EGD.VECC.5**

Evidence Ref: A1/T2/S1/pages 4-5

- a) The proposal forecasts that distribution rates for residential consumers will decrease slightly in 2014, only to increase by a greater in the following two years. Did EGD consider smoothing the delivery bill impacts by not providing a decrease (or a smaller increase) in 2014 in order to moderate later year increases?

**ISSUE C23: Is the 2014 gas volume forecast appropriate?**

**Exhibit: I.C23.EGD.VECC.6**

Evidence Ref: C1/T2/S1/ page 1, Table 1 "Summary of Gas Sales and Transportation Volumes"

- a) Please augment the referenced table with a column that provides the most up-to-date available 2013 actuals and forecasted volumes, e.g., if a 10-month actual plus 2-month forecast is available for 2013, please provide it; if not, please provide a 2013 9-month actual plus 3-month forecast for 2013.
- b) Please augment the referenced table with two more columns which provides the actual and weather-normalized volumes for 2012 on the same basis as the column provided in the previous part of this question. For example, if a 10+2 (forecasted months plus actual months) was provided in part a) for 2013, please break down the comparable 2012 figures into a comparable 10 + 2 format, showing the actual volumes for the first 10 months and the actual volumes for the last 2 months.

**ISSUE C21: Is the 2014 forecast of Customer Additions appropriate?**

**Exhibit: I.C21.EGD.VECC.7**

Evidence Ref: C1/T2/S1/ page 2, Table 2 "Summary of Total Average Number of Customers"

- a) Based on all available actual 2013 experience to date, please add a column to the referenced table showing EGD's best estimates of total average number of customers which will be realized in 2013.

**ISSUE C21: Is the 2014 forecast of Customer Additions appropriate?**

**Exhibit: I.C21.EGD.VECC.8**

Evidence Ref: C1/T2/S1/ Appendix B, page 6, Table 3 "General Service and Contract Market Customers"

- a) Please confirm that in the referenced table, the actual number of customers was less than the approved number of customers for only 6 of the 18 years shown.

**ISSUE C23: Is the 2014 gas volume forecast appropriate?**

**Exhibit: I.C23.EGD.VECC.9**

Evidence Ref: C1/T2/S1/ page 5, Table 3 "Summary of Unbundled Customers Contract Demand Volumes"

- a) Please provide EGD's best estimate of 2013 actual contract demand volumes if different from the figure shown.

**ISSUE C23: Is the 2014 gas volume forecast appropriate?**

**Exhibit: I.C23.EGD.VECC.10**

Evidence Ref: C1/T2/S1/ page 1, Table 1, "Summary of Gas Sales and Transportation Volumes" and page 5, Table 3, "Summary of Unbundled Customers Contract Demand Volumes"

- a) Please explain the difference between the "Contract Market Volumes" shown in Table 1 and the "Total Contract Demand Volumes" shown in Table 3.

**ISSUE C25: Is the 2014 Average Use forecast appropriate?**

**Exhibit: I.C25.EGD.VECC.11**

Evidence Ref: C1/T2/S1/ pages 7-8, paragraph 16 and Figure 2, "Residential Normalized Average Use (m<sup>3</sup>)"

- a) Does EGD agree that to the extent that newer homes are added as customers, the likelihood that there will be effects depressing residential average use due to replacing less efficient appliances and home improvements is not as great as it would be if older homes were added as customers?

- b) Please provide EGD's current best estimate as to 2013 actual normalized average residential use.
- c) Please provide any elasticity estimates EGD has available with respect to the elasticity of residential gas consumption with respect to the gas supply charge.

**ISSUE C25: Is the 2014 Average Use forecast appropriate?**

**Exhibit: I.C25.EGD.VECC.12**

Evidence Ref: C1/T2/S1/ page 9, Figure 3, "Rate 6 Normalized Average Use (m<sup>3</sup>)"

- a) Please provide a companion graph to the referenced figure that shows historical and forecast normalized average use for apartments only.

**ISSUE C25: Is the 2014 Average Use forecast appropriate?**

**Exhibit: I.C25.EGD.VECC.13**

Evidence Ref: C1/T2/S1/ page 8, paragraph 16

- a) Please provide details with respect to the rate switching from contract market customers to general service for each year 2006-2012, indicating the number of customers and the associated volumes which switched to general service from contract.
- b) Can EGD confirm that no customers switched from Rate 6 to contract in the years 2006-2012? If not, please provide the number of customers and the associated volumes which switched from rate 6 to contract over this period.

**ISSUE C25: Is the 2014 Average Use forecast appropriate?**

**Exhibit: I.C25.EGD.VECC.14**

Evidence Ref: C1/T2/S1/ page 14 and Appendix A, Table 1, Forecast Accuracy

- a) Does EGD agree that forecast accuracy should be measured by comparing the utility's ex ante forecast with the ex post actual?

- b) Do the values shown in column 2 of Table 1 reflect EGD's forecasts ex ante? If not, please provide a new column for this table that shows EGD's ex ante forecasts for each year.

**ISSUE B17f: Is the Allowed Revenue amount for each of 2014, 2015 and 2016 appropriate, including: Is the Other Revenues amount appropriate?**

**Exhibit: I.B17f.EGD.VECC.15**

Evidence Ref: C1/T4/S1/ page 2, Table 1, "Other Service Revenues, Variance between 2014 and 2013"

- a) Please augment the referenced table with a column that provides the most up-to-date available 2013 actuals and forecasted other service revenues, e.g., if a 10-month actual plus 2-month forecast is available for 2013, please provide it; if not, please provide a 2013 9-month actual plus 3-month forecast.
- b) Please provide actual 2012 other service revenues in the same format as in Table 1.
- c) Please provide a breakdown of the 2012 actual other service revenues that is comparable to the 2013 forecast provided in part a) of this interrogatory. For example, if a 9 (actual) + 3 (forecast) is provided in a), please break down the 2012 other service revenues by line item, showing the first 9 months of actuals and the last 3 months of actuals separately.
- d) Please provide historical values by line item as in Table 1 for all previous years for which actuals are available.

**ISSUE C24: Is the 2014 degree day forecast for each of the Company's delivery areas (EDA, CDA and Niagara) appropriate?**

**Exhibit: I.C24.EGD.VECC.16**

Evidence Ref: C2/T1/S2/ page 3, Table 1, "Actual and Predicted Central weather zone Environment Canada Degree Days ('out-of-sample'), 1990 to 2012"

- a) Please provide all pre-1990 actual data (Col. 2) data used to prepare the referenced table.



**ISSUE B17: Is the Allowed Revenue amount for each of 2014, 2015 and 2016 appropriate, including: b. Is the operating costs amount appropriate?**

**Exhibit: I.B17.EGD.VECC.17**

Evidence Ref: D1/T3/S1/ page 7, Table 2, "Other Operating and Maintenance by Cost Type 2013 Board Approved to 2016 Budget"

- a) Please augment the referenced table by adding one column to provide EGD's current best estimate/forecast of actual 2013 costs, indicating the number of months actual and months forecasted used in the estimates.
- b) Please provide (i) the Board approved number of FTEs by category for 2013, and (ii) the actual number of FTEs by category for 2013.

**ISSUE B17: Is the Allowed Revenue amount for each of 2014, 2015 and 2016 appropriate, including: b. Is the operating costs amount appropriate?**

**Exhibit: I.B17.EGD.VECC.18**

Evidence Ref: D1/T3/S2/ page 8, Table 1, "Major Employee Expenses"

- a) Please confirm that the entries in the column titled "2013 Budget" contain Board approved numbers in all cases; if unable to so confirm, please identify any entries which differ from the Board approved numbers and provide the Board approved number.

**ISSUE E35: What are the regulatory alternatives to the Board approving the Enbridge rate proposal? Are any alternatives to approving the rate proposal appropriate?**

**Exhibit: I.E35.EGD.VECC.19**

Evidence Ref: A2/T1/S1 page 14, paragraph 34

The referenced paragraph states:

*There are few differences between the Customized IR plan, and Enbridge's 1<sup>st</sup> Generation IR plan. The main difference relates to how the Allowed Revenue amounts*



are initially set. As explained later in this document, the capital costs component of the Allowed Revenue amounts for 2014 to 2016 takes account of Enbridge's extraordinary requirements over that period. Even so, it does include productivity savings. The O&M component of Allowed Revenues within the Customized IR plan is largely consistent with Enbridge's 1<sup>st</sup> Generation IR plan. This is confirmed by Concentric Energy Advisors, Inc. ("Concentric"), who have concluded that Enbridge's O&M budgets for 2014 to 2016 are actually lower than would be expected under a conventional I-X type of IR plan. Given that the budgets will change at the same rate for 2017 and 2018, that finding holds true for the entire IR term. (Emphasis added.)

- a) Does this assertion imply that EGD would have been better off by proposing an I-X IR plan that applied only to cost elements other than those related to capital expenditures?

**\*\*\*End of Document\*\*\***